

M e m o r a n d u m

To: Panel Members Date: September 22, 2006

From: Ruby Cohen, Manager Analyst: F. Lukka

Subject: One-Step Agreement for **COTTAGE BAKERY, INC. (HUA)**

CONTRACTOR:

- Training Project Profile: Training In High Unemployment Areas Of CA
- Legislative Priorities: Promotion of California's Manufacturing Workforce Moving To A High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - *Worldwide:* 700
 - *In California:* 700
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$819,000
- Substantial Contribution: \$0
- Total ETP Funding: \$819,000
- Total In-kind Contribution: \$834,000
 - *Trainee Wages Paid During Training:* \$834,000
 - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Joaquin

INTRODUCTION:

Cottage Bakery is an established manufacturer and distributor of bakery goods. The facility produces frozen cakes, cheesecakes, baked Danish, bagels, par-baked frozen European Breads, Ciabatta, Focaccia, rolls and rustic sandwich breads. Cottage Bakery has recently grown from 350 employees to over 700 employees and anticipates a continued growth of more than 100 employees during the next two years. In addition, Company officials state that Cottage Bakery, Inc. has grown from producing 100 different bakery products to over 400; production and delivery are under pressure to continue while maintaining product quality and customer requirements.

The company qualifies under Title 22, California Code of Regulations, Section 4416(d) (1) for industrially-classified manufacturers retraining current employees. Located in San Joaquin County, Cottage Bakery operates in a high unemployment area with an unemployment rate of 6.6 percent as of May 2006. The applicant proposes to retrain 525 employees in the skills necessary to transition to a high performance workplace.

MEETING ETP GOALS AND OBJECTIVES:

Cottage Bakery, Inc. proposes training that will further the following ETP goals and objectives:

- 1) Increase the Panel's outreach and presence in the high unemployment areas of the state.
- 2) Foster the retention of manufacturing jobs within the state.
- 3) Training is targeted at assisting the company to develop its workers' skills to prepare them for the challenges of a high performance workplace.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainee	Menu: Business Skills Computer Skills Continuous Improvement Manufacturing Skills Literacy	425	24-130	0-40	\$1,560	*\$11.83 - \$39.12
Job Number 2 Retrainee	Menu: Business Skills Computer Skills Continuous Improvement Manufacturing Skills Literacy	100	24-130	0-40	\$1,560	*10.06-\$12.69
Wages After 90-Day Retention						
<u>Occupation</u>						
Job Number 1						
Administrative Staff						
Leads						
Maintenance Workers						
Managers						
Production Workers						
Sales Staff						
Supervisors						
Support Staff						
Job Number 2						
Production Workers						
Job 2: *The wages as shown include a minimum 7 percent post-retention increase required in HUA working poor projects.						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u>				<u>Turnover Rate</u>	<u>% Of Mgrs & Supervisors To Be Trained:</u>	
Job 1: *Health benefits of at least \$2.63 per hour may be added to the trainees' wages in to meet the ETP minimum hourly wage of \$11.83 for San Joaquin County.				15%	5%	
<u>Other Employee Benefits:</u>						
Paid vacation, Holidays, Bonuses, Profit Sharing, Life Insurance, 401 K Savings Plan						

COMMENTS / ISSUES:

➤ ***Frontline Workers***

Of the 525 participants in this project, 499 (95 percent) meet the Panel definition of frontline worker under Title 22 California Code of Regulations (CCR), Section 4400(ee). The remaining 26 (5 percent) are managers and supervisors who are not executive level staff and do not set company policy.

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

➤ ***Request for Waiver of the ETP Minimum Wage in High Unemployment Areas***

Unemployment Insurance Code, Section 10201.5, states in part:

“...for workers in regions suffering from high unemployment and low job creation, including the working poor, the Panel may waive the minimum wage requirements provided that the post-retention wage of each trainee who has completed training and the required training period exceeds his or her wage before and during training. This determination shall be made on a case-by-case basis to ensure that post-training improvement in earnings are sufficient to warrant the investment of public funds.”

It has been Panel practice to waive the minimum wage requirements for “working poor” trainees, up to a maximum of 25 percent below the ETP minimum wage requirement. If the post-retention wage exceeds the trainee’s wage before training by at least 7 percent. The 7 percent wage increase must be calculated on the base wage before training, exclusive of any cost of living increase and health benefits.

Company representatives state the minimum wage at the start of training will be \$9.40/hour. Each trainee’s post-retention wage will exceed the wage before training by at least 7 percent which means these trainees will earn in excess of \$10.06 per hour after retention. All of these trainees will be offered company paid health benefits and if they accept the benefits their wages will increase by up to \$2.63/hour earning a maximum of \$12.69/hour after retention.

According to Company representatives, the “working poor” trainees included in the training program are newly hired, have significant barriers to employment such as limited education, insufficient communication skills, and are lacking essential job skills. The proposed training will help these trainees who would normally not be able to enter the manufacturing workforce or develop the skills to perform their jobs effectively.

Company representatives request the Panel waive the ETP minimum wage of \$11.83 for San Joaquin County under Job 2 because these are “working poor” trainees with significant barriers to employment in high unemployment areas. Staff recommends waiver as seen in the \$10.06 minimum wage under Job 2 in the Training Plan Table.

COMMENTS / ISSUES: (continued)

➤ ***Initial Funding Proposal***

The applicant's initial proposal request was for \$1,510,740 to provide a range of 24 to 200 hours of ETP training to 620 trainees. Based on historical monitoring data with first time contractors, staff requested that the company reduce the number of training hours. The Company revised its training to a range of hours from 24 to 130 for 525 trainees.

RECOMMENDATION:

Staff recommends that the Panel:

Approve this training proposal based on Cottage Bakery's stated needs that formal training across all departments must be implemented for the first time to sustain profitable growth, retain employees, and establish a high performance workplace with improved company operating procedures. In so doing, grant Cottage Bakery's request for a waiver to the ETP minimum for working poor trainees employed in San Joaquin County under Job 2 based on the barriers to employment discussed earlier.

NARRATIVE:

Founded in 1954 the bakery was named Cottage Bakery because they developed recipes from those given to them by many of the local German homemakers. In 1988 the company added 38,000 square feet to create a modern, highly automated Central Production Plant for the high speed production of its products and now services retail bakeries, in-store bakeries, airlines and foodservice accounts throughout the U.S and Canada. Through the years, the plant has grown to include the production of frozen bakery products such as frozen cake layers, cheesecakes, baked Danish, deep frozen European Mousse Tortes, breakfast breads and croissants, bagels and energy bars, par-baked European Breads, Ciabatta, Focaccia, rolls, and rustic sandwich breads. Customers include Safeway, Costco, SYSCO Corporation and Jack in the Box.

The company has gone from producing 100 different products to over 400, thus creating a complex production and delivery business. Training will support the Company to meet quality, production and customer requirements by improving the productivity of its employees. By moving to a high performance workplace, quality will continue to be the focus of the organization and productivity will move to a higher level. Training will be provided for all occupational groups within the plant.

Continuous Improvement: Frontline employees and managers will receive training in continuous improvement skills aimed at moving the company to a higher lever of performance through training in process improvement, meeting customer needs, resolving production problems and inspection procedures. The training will help to reduce production problems while improving product quality and improving delivery times.

Computer Skills: Cottage Bakery will provide Computer Skills to its frontline workforce and managers in topics such as production applications, computerized reports, and handling special orders. These skills will assist the company's workforce to track production processes and inventory.

NARRATIVE: (continued)

Manufacturing Skills: Cottage Bakery has purchased new "piece counting and packaging" equipment. The equipment cost was in excess of \$100,000. A minimal amount of training was provided to some managers. The remainder of the company's frontline workforce and managers will receive to maximize productivity. The training will focus on production equipment, manufacturing procedures, production techniques, and equipment maintenance.

Business Skills: Frontline employees and managers will receive Business Skills training in areas such as communication skills, product knowledge, and business skills training. These skills will allow Cottage Bakery employees to implement the company's business strategies effectively and support the company in its continued growth.

Literacy Skills: Training will be provided to trainees who lack proficient English language skills. The company has determined that several frontline workers require Vocational English as a Second Language (VESL) in order to minimize mistakes that lead to errors in quality. Basic English, reading, writing, and language comprehension skills will enable trainees to perform their jobs with greater confidence and productivity. Topics included in the VESL training are Reading Work Orders, Operating Procedures, Language Comprehension, Understanding verbal Direction, understand Verbal Instruction, Basic Math, Understanding the Numbering System. Literacy training will not exceed 45 percent of the total training hours and will consist of workplace literacy for Job 1. There is no cap for Job 2, Working Poor.

Commitment to Training

Cottage Bakery representatives state that ETP funding will not displace the employer's resources for training. The company does not have a current training budget and with the exception of general and/or job-specific safety, some occupation-specific, on-the-job training, orientation for new employees and prevention of sexual harassment, the company has not conducted any formal classroom training.

The proposed training plan will improve the company's internal/external communication skills, and decrease product delivery time. While Cottage Bakery continues to experience growth as competition continues mount. ETP funding will allow Cottage Bakery to provide a more comprehensive training program that will enable the company to execute its business strategies in a timeframe consistent with its goals.

Following the ETP-funded training, company officials state that Cottage Bakery is committed to its ongoing training plan and plans to evaluate and expand upon the successful components of this training based on effectiveness, impact on productivity, and trainee development.

SUBCONTRACTORS:

National Training Company, Irvine, California for administrative services, for an amount not to exceed thirteen (13) percent of the payment earned.

THIRD PARTY SERVICES:

National Training Company assisted in the preparation of the application documents for a flat rate of \$10,000.

COTTAGE BAKERY
Menu Curriculum

Class/Lab Hours

(24-130 hours) Trainees will receive any of the following:

CONTINUOUS IMPROVEMENT

- Process Improvement
- Resolving Production Problems
- Standard Operating Procedures
- Meeting Customer Needs
- Resolving Customer Problems
- Team Problem Solving
- Problem Identification
- Problem Solutions
- Lean Manufacturing
- Quality Control Procedures
- Inspection Procedures

COMPUTER SKILLS

- Accessing Menus
- Searching for Files
- Production Applications
- Internal Customer Applications
- Computerized Reports
- Computerized Inventory
- Product Types
- Handling Special Orders
- Intermediate/Advanced MS Office Applications

MANUFACTURING SKILLS

- Use Production Tools
- Production Equipment
- Reading Work Orders
- Order Tracking
- Work Orders
- Waste Management
- Technical Specifications
- Manufacturing Procedures
- Production Techniques
- Production Processes
- Quality Control

COTTAGE BAKERY

Menu Curriculum (continued)

- Equipment Maintenance
- Operating Procedures
- Food Safety

BUSINESS SKILLS

- Handling Customer Requests
- Resolving Customer Complaints
- Putting the Customer First
- Negotiating Skills
- Communication Skills
- Product Knowledge
- Marketing Techniques
- Accounting Skills
- Business Processes
- Project Management

LITERACY SKILLS

- Vocational English as a Second Language (VESL)
- Reading Work Orders
- Operating Procedures
- Language Comprehension
- Understanding Verbal Direction
- Basic Math
- Understanding the Numbering System
- Fractions
- Rounding-off rules

COTTAGE BAKERY
Menu Curriculum (continued)

Computer Based Training

(0-40 hours) Trainees will receive any of the following:

CONTINUOUS IMPROVEMENT

- Process Improvement (8 Hours)
- Resolving Production Problems (4 Hours)
- Standard Operating Procedures (4 Hours)
- Team Problem Solving (4 Hours)
- Problem Identification (4 Hours)
- Lean Manufacturing (4 Hours)
- Quality Control Procedures (4 Hours)
- Inspection Procedures (4 Hours)

COMPUTER SKILLS

- Internal Customer Applications (4 Hours)
- Computerized Reports (2 Hours)
- Product Types (4 Hours)
- Handling Special Orders (2 Hours)
- Intermediate/Advanced MS Office Applications (8 Hours)

MANUFACTURING SKILLS

- Use Production Tools (4 Hours)
- Production Equipment (4 Hours)
- Manufacturing Procedures (2 Hours)
- Production Techniques (2 Hours)
- Production Processes (2 Hours)
- Quality Control (2 Hours)
- Equipment Maintenance (4 Hours)
- Operating Procedures (2 Hours)
- Food Safety (4 Hours)

BUSINESS SKILLS

- Handling Customer Requests (4 Hours)
- Resolving Customer Complaints (4 Hours)
- Negotiating Skills (4 Hours)
- Communication Skills (4 Hours)

COTTAGE BAKERY
Menu Curriculum (continued)

LITERACY SKILLS

- Vocational English as a Second Language (VESL)
(8 Hours)
- Safety Regulations (4 Hours)
- Operating Procedures (4 Hours)
- Language Comprehension (8 Hours)
- Understanding Verbal Direction (4 Hours)
- Basic Math (8 Hours)
- Understanding the Numbering System (4 Hours)
- Fractions (8 Hours)
- Rounding-off rules (4 Hours)

<p><u>Comment:</u> The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)</p>
